

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Hartwick Township	County Osceola
Fiscal Year End March 31, 2007	Opinion Date June 18, 2007	Date Audit Report Submitted to State September 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789		
Street Address 134 West Harris Street		City Cadillac	State MI	Zip 49601
Authorizing CPA Signature 		Printed Name Steven C. Arends, C.P.A.		License Number 1101013211

HARTWICK TOWNSHIP, OSCEOLA COUNTY

EVART, MICHIGAN

MARCH 31, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

MARCH 31, 2007

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June 18, 2007

INDEPENDENT AUDITORS' REPORT

To the Township Board
Hartwick Township
Osceola County
Ewart, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hartwick Township, Osceola County, Ewart, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hartwick Township, Osceola County, Ewart, Michigan as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 18 and 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hartwick Township, Osceola County, Ewart, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Hartwick Township, a general law township located in Osceola County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Hartwick Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$114,418. Of this amount, \$49,403 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$79,272. About 62.3% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the Township's programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$114,418 at March 31, 2007, meaning the Township's assets were greater than its liabilities by this amount.

Hartwick Township
Net Assets as of March 31, 2007

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 80,587
Non Current Assets	
Capital Assets	60,544
Less: Accumulated Depreciation	<u>25,398</u>
Total Non Current Assets	<u>35,146</u>
Total Assets	<u><u>\$ 115,733</u></u>
Liabilities	
Current Liabilites	<u>\$ 1,315</u>
Net Assets	
Invested in Capital Assets	35,146
Restricted for Specific Purposes	29,869
Unrestricted	<u>49,403</u>
Total Net Assets	<u>114,418</u>
Total Liabilities and Net Assets	<u><u>\$ 115,733</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of March 31, 2007. Other liabilities are minimal as of March 31, 2007.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Hartwick Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2007

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 3,357
Operating Grants and Contributions	2,286
General Revenues	
Property Tax	38,551
State Grants	42,789
Interest Earnings	1,495
Total Revenues	<u>88,478</u>
<u>Expenses</u>	
Legislative	5,502
General Government	34,929
Public Safety	10,277
Community and Economic Development	1,841
Recreational and Cultural	300
Other Functions	6,970
Total Expenses	<u>59,819</u>
Change in Net Assets	28,659
NET ASSETS - Beginning of Year	<u>85,759</u>
NET ASSETS - End of Year	<u><u>\$ 114,418</u></u>

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Governmental Activities

During the fiscal year ended March 31, 2007, the Township's net assets increased by \$28,659 or 33.4% in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Hartwick Township comes from property taxes. The Township levied 0.8257 mills for operating purposes and 0.9820 mills for road maintenance.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general governmental expenses that total 58.4% of total expenses. The Township spent \$34,929 in fiscal year 2007 on General Government expenses. Public Safety represented the next largest expense at \$10,277, or 17.2% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Government expenses at \$23,354. Depreciation expense added another \$1,169.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Hartwick Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Hartwick Township's governmental funds reported combined ending fund balances of \$79,272. Approximately 62.3% or \$49,403 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

General Fund – The General Fund increased its fund balance by \$9,297 which brings the fund balance to \$49,403. The General Fund's fund balance is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Property taxes amounted to \$18,314. State shared revenues were collected in the amount of \$42,789.

Road Fund – The Road Fund increased its fund balance by \$20,531 which brings the fund balance to \$29,869. This balance is reserved and must be used for road maintenance. Property taxes collected amounted to \$20,237.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2007

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2007 amounted to \$35,146 net of accumulated depreciation. There was no change in the Township's investment in capital assets for the current fiscal year.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Hartwick Township
Capital Assets as of March 31, 2007

	Governmental Activities
Land and Land Improvements	\$ 14,544
Buildings	45,000
Equipment	1,000
	<hr/> 60,544
Less Accumulated Depreciation	<hr/> 25,398
Net Capital Assets	<hr/> <hr/> \$ 35,146

There were no major capital asset events during the current fiscal year.

Long-Term Debt. Hartwick Township has no obligation for any long-term debt as of March 31, 2007.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Hartwick Township at 10823 15 Mile Road, Evart, MI 49631.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 68,931
Receivables	
Taxes	4,588
External Party (Fiduciary Fund)	43
Due from Other Governments	<u>7,025</u>
Total Current Assets	<u>80,587</u>
<u>CAPITAL ASSETS</u>	
Land	9,174
Land Improvements	5,370
Buildings	45,000
Equipment	<u>1,000</u>
	60,544
Less Accumulated Depreciation	<u>25,398</u>
Net Capital Assets	<u>35,146</u>
TOTAL ASSETS	<u><u>\$ 115,733</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 1,315</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	35,146
Restricted for Road Maintenance	29,869
Unrestricted	<u>49,403</u>
Total Net Assets	<u>114,418</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 115,733</u></u>

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	TOTALS
<u>PRIMARY GOVERNMENT</u>						
<u>GOVERNMENTAL ACTIVITIES</u>						
Legislative	\$ 5,502	\$ 0	\$ 0	\$ 0	\$ (5,502)	\$ (5,502)
General Government	34,929	2,937	0	0	(31,992)	(31,992)
Public Safety	10,277	420	0	0	(9,857)	(9,857)
Public Works	0	0	2,286	0	2,286	2,286
Community and Economic Development	1,841	0	0	0	(1,841)	(1,841)
Recreation and Cultural	300	0	0	0	(300)	(300)
Other Functions	6,970	0	0	0	(6,970)	(6,970)
Total Governmental Activities	\$ 59,819	\$ 3,357	\$ 2,286	\$ 0	(54,176)	(54,176)
<u>GENERAL REVENUES</u>						
Property Tax					38,551	38,551
State Grants					42,789	42,789
Interest Earnings					1,495	1,495
Total General Revenues					82,835	82,835
Change in Net Assets					28,659	28,659
<u>NET ASSETS</u> - Beginning of Year					85,759	85,759
<u>NET ASSETS</u> - End of Year					\$ 114,418	\$ 114,418

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2007

	<u>GENERAL FUND</u>	<u>ROAD FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 41,554	\$ 27,377	\$ 68,931
Taxes Receivable	2,096	2,492	4,588
Due from Other Governments	7,025	0	7,025
Due from Other Funds	43	0	43
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 50,718</u>	<u>\$ 29,869</u>	<u>\$ 80,587</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	<u>\$ 1,315</u>	<u>\$ 0</u>	<u>\$ 1,315</u>
 <u>FUND BALANCE</u>			
Reserved for:			
Road Maintenance	0	29,869	29,869
Unreserved			
Undesignated	49,403	0	49,403
Total Fund Balance	<hr/> 49,403	<hr/> 29,869	<hr/> 79,272
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 50,718</u>	<u>\$ 29,869</u>	<u>\$ 80,587</u>

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2007

Total Fund Balances for Governmental Funds	\$	79,272
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	9,174	
Land Improvements		5,370	
Buildings		45,000	
Equipment		1,000	
Accumulated Depreciation		(25,398)	35,146

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>114,418</u>
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The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY

EVART, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	ROAD FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 18,314	\$ 20,237	\$ 38,551
Licenses and Permits	420	0	420
State Grants	45,075	0	45,075
Charges for Services	1,757	0	1,757
Interest and Rents	2,381	294	2,675
Total Revenues	67,947	20,531	88,478
<u>EXPENDITURES</u>			
Legislative	5,502	0	5,502
General Government	33,760	0	33,760
Public Safety	10,277	0	10,277
Community and Economic Development	1,841	0	1,841
Recreation and Cultural	300	0	300
Other Functions	6,970	0	6,970
Total Expenditures	58,650	0	58,650
Net Change in Fund Balance	9,297	20,531	29,828
<u>FUND BALANCE</u> - Beginning of Year	40,106	9,338	49,444
<u>FUND BALANCE</u> - End of Year	\$ 49,403	\$ 29,869	\$ 79,272

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 29,828
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	<u>(1,169)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 28,659</u></u>

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2007

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ <u>43</u>
<u>LIABILITIES</u>	
Due to General Fund	\$ <u>43</u>

The accompanying notes are an integral part of the financial statements.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Hartwick Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Hartwick Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

Additionally Hartwick Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township Board authorized the Treasurer to invest in the following:

Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, but only in the bank, savings and loan association, or credit union meet all criteria as a depository of public funds contained in state law.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of Hartwick Township totaled \$20,612,911, on which ad valorem taxes levied consisted of 0.8257 mills for Hartwick Township operating purposes and 0.9820 mills for road maintenance. The levy raised \$17,016 for operating purposes and \$20,237 for road maintenance.

3. *Inventories*

Inventories are not significant and are expensed when purchased.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, are depreciated using the straight line method over the following estimated useful lives:

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40-60
Building Improvements	15-30
Land Improvements	25
Equipment and Furniture	3-5

Hartwick Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 30, 2006, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits and investments are on deposit with Citizens Bank.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. As of March 31, 2007, none of the Township's bank balance of \$69,048 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at the year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	General	Road	Total
Receivables			
Taxes	\$ 2,096	\$ 2,492	\$ 4,588
Due from Other Governments	7,025	0	7,025
	<u>\$9,121</u>	<u>\$2,492</u>	<u>\$11,613</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 9,174	\$ 0	\$ 0	\$ 9,174
Capital assets, being depreciated				
Buildings	45,000	0	0	45,000
Land Improvements	5,370	0	0	5,370
Equipment	1,000	0	0	1,000
Total capital assets, being depreciated	51,370	0	0	51,370
Less accumulated depreciation for:				
Buildings	22,200	900	0	23,100
Land Improvements	1,029	269	0	1,298
Equipment	1,000	0	0	1,000
Total accumulated depreciation	24,229	1,169	0	25,398
Total capital assets, being depreciated, net	27,141	(1,169)	0	25,972
Governmental activities capital assets, net	\$ 36,315	\$ (1,169)	\$ 0	\$ 35,146

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	<u>\$ 1,169</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2007.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at March 31, 2007, were:

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund	\$ 43	\$ 0
Current Tax	0	43
Total	<u>\$ 43</u>	<u>\$ 43</u>

E. Long-Term Debt

At March 31, 2007, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved	
Special Revenue Funds	
Road Fund	
Road Maintenance	<u>\$ 29,869</u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

B. Retirement Plan

Effective April 19, 1981, the Township established a Simplified Employee Pension – Individual Retirement Account (SEP-IRA). The plan was established with NBD Bank, Detroit, Michigan. The plan covers all township employees except those employees who receive less than \$300 of compensation during the year, and those employees under 18 years of age. Contributions to the plan are determined from year to year by the Township but shall never be less than 7.5% of compensation. Township contributions to the plan for 2006-2007 amounted to \$1,227 which was 7.5% of covered compensation for the period January 1, 2005 to December 31, 2005. For the plan year, wages for those covered under the plan was \$16,354 total wages for all employees including non-covered payroll was \$16,354 for the Township fiscal year.

The individual retirement account balances become the property of the employee immediately. Therefore, there are no plan assets or liabilities which are included as part of the township reporting entity.

C. Interest Income and Expense

For the year ended March 31, 2007 interest income and expense was as follows:

	Interest	
	Income	Expense
General Fund	\$ 1,201	\$ 0
Road Fund	294	0
TOTAL	\$ 1,495	\$ 0

D. Due from Other Governments

Amounts due from other governments consists of \$7,025 in state-shared revenues.

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2007

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Taxes	\$ 17,100	\$ 17,100	\$ 18,314	\$ 1,214
Licenses and Permits	0	0	420	420
State Grants	41,000	41,000	45,075	4,075
Charges for Services	3,000	3,000	1,757	(1,243)
Interest and Rents	2,700	2,700	2,381	(319)
Other Revenues	3,500	3,500	0	(3,500)
Total Revenues	67,300	67,300	67,947	647
<u>EXPENDITURES</u>				
Legislative				
Township Board	5,200	7,332	5,502	1,830
General Government				
Supervisor	1,900	1,900	1,687	213
Assessor	8,000	8,000	7,019	981
Clerk	6,561	6,561	6,307	254
Board of Review	1,000	1,000	765	235
Treasurer	9,193	7,061	6,859	202
Election	3,000	3,420	3,420	0
Building and Grounds	4,000	4,452	4,452	0
Cemetery	8,000	8,000	3,251	4,749
Public Safety	12,000	12,000	10,277	1,723
Public Works	20,000	20,000	0	20,000
Community and Economic Development	7,000	7,000	1,841	5,159
Recreation and Cultural	500	500	300	200
Other Functions	10,000	10,000	6,970	3,030
Contingency	3,000	2,128	0	2,128
Total Expenditures	99,354	99,354	58,650	40,704
Net Change in Fund Balance	(32,054)	(32,054)	9,297	41,351
<u>FUND BALANCE</u> - Beginning of Year	32,210	32,210	40,106	7,896
<u>FUND BALANCE</u> - End of Year	\$ 156	\$ 156	\$ 49,403	\$ 49,247

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
\$	18,540	\$ 18,540	\$ 20,237	\$ 1,697
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	294	294
	0	0	0	0
	18,540	18,540	20,531	1,991
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	18,540	18,540	20,531	1,991
	6,798	6,798	9,338	2,540
\$	25,338	\$ 25,338	\$ 29,869	\$ 4,531

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	
Commercial Account	\$ 20
Money Market Investment Account	7,790
Certificate of Deposit	33,744
Taxes Receivable	2,096
Due from Other Funds	43
Due from Other Governments	<u>7,025</u>
 TOTAL ASSETS	 <u>\$ 50,718</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,315
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FUND BALANCE

Unreserved	<u>49,403</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 50,718</u>
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HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	BUDGET	ACTUAL
<u>REVENUES</u>		
Taxes	\$ 17,100	\$ 18,314
Licenses and Permits	0	420
State Grants	41,000	45,075
Charges for Services	3,000	1,757
Interest and Rents	2,700	2,381
Other Revenues	3,500	0
Total Revenues	67,300	67,947
<u>EXPENDITURES</u>		
Legislative		
Township Board	7,332	5,502
General Government		
Supervisor	1,900	1,687
Assessor	8,000	7,019
Clerk	6,561	6,307
Board of Review	1,000	765
Treasurer	7,061	6,859
Election	3,420	3,420
Building and Grounds	4,452	4,452
Cemetery	8,000	3,251
Public Safety		
Fire Protection	12,000	10,277
Public Works		
Highways, Streets, and Bridges	20,000	0
Community and Economic Development		
Planning and Zoning	7,000	1,841
Recreation and Cultural	500	300

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2007

	BUDGET	ACTUAL
Other Functions		
Insurance and Bonds	5,000	4,767
Employee Benefits	5,000	2,203
Contingency	2,128	0
Total Expenditures	99,354	58,650
Excess of Revenues Over (Under) Expenditures	(32,054)	9,297
<u>FUND BALANCE</u> - Beginning of Year	32,210	40,106
<u>FUND BALANCE</u> - End of Year	\$ 156	\$ 49,403

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

ROAD FUND

BALANCE SHEET
MARCH 31, 2007

ASSETS

Cash	
Certificate of Deposit	\$ 27,377
Taxes Receivable	<u>2,492</u>
 TOTAL ASSETS	 <u><u>\$ 29,869</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Road Improvements	<u>29,869</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 29,869</u></u>

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

ROAD FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes		
Property Tax Levy	\$ 18,540	\$ 20,237
Interest and Rents		
Interest Earnings	0	294
Total Revenues	18,540	20,531
<u>EXPENDITURES</u>	0	0
Excess of Revenues over Expenditures	18,540	20,531
<u>FUND BALANCE</u> - Beginning of Year	6,798	9,338
<u>FUND BALANCE</u> - End of Year	<u>\$ 25,338</u>	<u>\$ 29,869</u>

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2007

ASSETS

	BALANCE			BALANCE
	April 1, 2006	ADDITIONS	DELETIONS	March 31, 2007
Cash				
Commercial Account	\$ 51	\$ 385,478	\$ 385,486	\$ 43

LIABILITIES

Due to Other Governments	\$ 0	\$ 352,313	\$ 352,313	\$ 0
Due to Other Funds	51	33,165	33,173	43
	\$ 51	\$ 385,478	\$ 385,486	\$ 43

HARTWICK TOWNSHIP, OSCEOLA COUNTY
EVART, MICHIGAN

STATEMENT OF 2006 TAX ROLL
MARCH 31, 2007

TAXES ASSESSED

County	\$ 101,171	
Township		
Operating	17,016	
Roads	20,237	
Schools		
Evart Public Schools	197,043	
Marion Public Schools	608	
Pine River Area Schools	10,443	
Intermediate Schools		
Mecosta-Osceola Intermediate School	79,791	
Wexford-Missaukee Intermediate School	<u>6,462</u>	432,771

TAXES COLLECTED

County	88,839	
Township	14,920	
Operating	17,745	
Roads		
Schools		
Evart Public Schools	176,035	
Marion Public Schools	608	
Pine River Area Schools	9,704	
Intermediate Schools		
Mecosta-Osceola Intermediate School	69,677	
Wexford-Missaukee Intermediate School	<u>6,081</u>	<u>383,609</u>

TAXES RETURNED DELINQUENT

County	12,332	
Township		
Operating	2,096	
Roads	2,492	
Schools		
Evart Public Schools	21,008	
Marion Public Schools	0	
Pine River Area Schools	739	
Intermediate Schools		
Mecosta-Osceola Intermediate School	10,114	
Wexford-Missaukee Intermediate School	<u>381</u>	<u>\$ 49,162</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

June 18, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Hartwick Township
Osceola County
Ewart, Michigan

As a result of our audit of the financial statements of Hartwick Township for the year ended March 31, 2007, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Township.

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

1. A budget was not adopted for the newly established Road Fund. In the future, a budget should be adopted for this fund in addition to the General Fund budget.
2. All budgets should include actual prior year amounts as well as an estimate of current year results.

General Recordkeeping

The accounting records for the year ended March 31, 2007, were found to be in good order and in compliance with the State's uniform accounting system. We commend the Clerk and Treasurer for a job well done and encourage them to keep up the fine effort.

We would like to thank the Board for its continued confidence in our firm by awarding us the audit assignment of the Township. We would also like to thank the Clerk and Treasurer for their cooperation in helping us fulfill the audit of the Township records.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
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June 18, 2007

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

To the Township Board
Hartwick Township
Osceola County
Ewart, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hartwick Township, Osceola County, Ewart, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Hartwick Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above constitute material weaknesses.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.